

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 10/19/98

Date Issued 01/74

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Filing Number 10,852

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SUBJECT

TRUST FUND PROCEDURES

PURPOSE

Procedures for receiving and handling moneys belonging to and held in trust for the use and benefit of students, clients, members, patients, or inmates.

AUTHORITATIVE REFERENCE

K.S.A. 76-172 et seq.

GENERAL INFORMATION

1. *Trust Funds Authorized.* Trust funds are authorized for the following agencies:

<i>Agency Number</i>	<i>Agency Name</i>
177	Ellsworth Correctional Facility
195	El Dorado Correctional Facility
313	Hutchinson Correctional Facility
319	Topeka Juvenile Correctional Facility
325	Beloit Juvenile Correctional Facility
350	Juvenile Justice Authority
355	Atchison Juvenile Correctional Facility
363	Kansas Neurological Institute
400	Lansing Correctional Facility
408	Larned Correctional Mental Health Facility
410	Larned State Hospital

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<i>Agency Number</i>	<i>Agency Name</i>
494	Osawatomie State Hospital
507	Parsons State Hospital and Training Center
521	Department of Corrections
555	Rainbow Mental Health Facility
581	Norton Correctional Facility
604	School for the Blind
610	School for the Deaf
629	Department of Social and Rehabilitation Services (Vocational Rehabilitation Units)
694	Commission on Veterans Affairs - Kansas Soldiers Home and Kansas Veterans Home
660	Topeka Correctional Facility
712	Winfield Correctional Facility

2. *Custody of Moneys of Trust Funds.*

- A. The chief administrative officer of agencies listed above shall designate an officer or employee to have custody and to be in charge of all moneys belonging to and held by the agency for the use and benefit of students, clients, members, patients, or inmates. While not required by law, the generally accepted accounting principles of internal check (separation of cashiering, bookkeeping, and reconciling functions) should be adopted wherever possible; i.e. the custodian designated (cashier) should be responsible for collecting or accepting cash, issuing receipts to the depositor, depositing or investing moneys in accounts of financial institutions designated for such purpose by the Pooled Money Investment Board as stated in items 2(C) and 2(D), and drawing checks on such accounts; and a separate accountant or bookkeeper should be responsible for recording deposit records, control ledger, and students, clients, members, patients, or inmates subsidiary ledger records; while a third employee accountant or account clerk should be responsible for regularly reconciling the checkbook and savings balance(s) to the ledger account, etc.
- B. Operating procedure for each custodian and bookkeeper should be condensed to writing, for guidance of the employees involved and for post audit review. The written procedures should include the pro forma documents to be utilized, i.e. cash receipts, checks, payment vouchers, ledger forms. See examples of pro forma documents in Form

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DA-60, Payment Voucher Authorization; Form DA-61, Cash Receipts Voucher; and Form DA-62, Trust Fund Ledger Account of this filing. The recommended specimen forms contained herein are designed for machine validation; however, they may be validated by manual signature if validating machines are not available. In any event, the agency procedure should be adopted for use in the particular environment and with the employee resources available. All "receipts" and "payment vouchers" or "voucher checks" shall be pre-numbered serially in triplicate as required and bound in booklets of fifty sets or prepared in sets and one copy subsequently filed in a permanent binder for post-audit purposes. The first and second copy of each set should be perforated for removal from the booklet or set for distribution to the Payor or Payee and Accountant or Bookkeeper, as the case may be.

- C. K.S.A. 76-173 requires the custodian to deposit all trust fund moneys in one or more interest-bearing accounts in a bank, savings and loan association or federally chartered savings bank, or a credit union. The financial institution into which the trust fund moneys are deposited must be designated by the Pooled Money Investment Board. See the pro forma application (Application to Pooled Money Investment Board) which is attached. In addition, the bank, savings and loan association or federally chartered savings bank must be insured by the federal government or an agency thereof. The credit union must be insured with an insurer or guarantee corporation as required by K.S.A. 17-2246, and amendments thereto.

The custodian shall keep a "checkbook" or "check stub" balance for such local interest-bearing accounts, completely posted, or other record of money placed at interest in a comparative manner.

- D. K.S.A. 76-175 allows the custodian to invest the moneys of each trust fund in one or more certificates of deposit at a bank, savings and loan association or federally chartered savings bank, or invest in shares in a credit union. The financial institution into which the trust fund moneys are invested must be designated by the Pooled Money Investment Board. See the pro forma application (Application to Pooled Money Investment Board) in Exhibit E of this filing. In addition, the bank, savings and loan association or federally chartered savings bank must be insured by the federal government or an agency thereof. The credit union must be insured with an insurer or guarantee corporation as required by K.S.A. 17-2246, and amendments thereto.
- E. A change fund within a trust fund is not authorized (see P.P.M. filing 9,101).

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3. *Reconciliation Procedures.* The designated accounting officer will reconcile the custodian's "checkbook" or "check stub" local checking account records to the financial institution's statements and will reconcile the checking account balance and the various savings or investments balances to the control and subsidiary ledger balances for student, client, member, patient, or inmate accounts at least monthly by preparing Form DA-63, Monthly Reconciliation of Financial Institution Account, and Form DA-65, Reconciliation of Trust Fund.
4. *Annual Reporting Procedures.* A Reconciliation of Trust Fund Form DA-65, is to be forwarded to the Division of Accounts and Reports, Central Accounting Services Section, by July 25 each year for the fiscal year just ended. This report is to be supported by copies of the forms DA-63, Monthly Reconciliation of Financial Institution Account, for each month.
5. *Credit of Interest Earned on Savings Accounts.* Interest earned on interest-bearing accounts or investment accounts shall be allocated by one of two methods set out as follows, as requested by the Secretary of the respective Department and approved by the Director of Accounts and Reports.
 - A. The total sum of such interest earned will be allocated and deposited in total in the benefit fund of the respective agency or institution. If this option is adopted, a letter of agreement issued by the federal social security administration approving this procedure must be filed with the Director of Accounts and Reports by the Secretary of the respective Department when requesting this method of allocation.
 - B. The total sum of interest earned (plus any sum undistributed from prior distributions) shall be prorated and posted to each patient, inmate, or other person's account which is active on the interest credit date within thirty days following such credit posting by the financial institution of such earnings. The basis for such allocation and posting is the proportion that each patient, inmate, or other persons sum of daily balances in the trust fund bears to the total sum of daily balances that all patient, inmate, or other persons

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have in such fund. Such calculation should be carried to four places and the remainder truncated, allowing a small remainder to be undistributed until the next interest crediting date.

6. *Approval for Variations.* Since K.S.A. 76-175a provides that "all pro-rations and allocations under this act and all forms and procedures shall accord with and be reported to and be subject to the approval of the Director of Accounts and Reports", any variations from the procedures set out herein and the pro-ration and allocations made must be submitted to the Director of Accounts and Reports for approval.

Examples of pro forma documents recommended are as follows:

DA-60

DA-61

DA-62

DA-63

DA-65

And the attached form letter

CONTACT SOURCES

Questions regarding trust fund procedures should be directed to:

Division of Accounts and Reports
Central Accounting Services Section
Financial Integrity Team

APPLICATION TO POOLED MONEY INVESTMENT BOARD

(Agency Letterhead)

Director of Investments
Pooled Money Investment Board
Room 209-N, LSOB
Topeka, Kansas 66612-1220

Re: _____ Trust Fund Account

Dear _____:

_____ has custody of a (clients', members', patients', or inmates') trust fund authorized under K.S.A. 76-172 et seq. Pursuant to this act, moneys of trust funds shall be deposited or invested in an interest bearing account of a bank, a savings and loan association or a federally chartered savings bank, which bank, association or savings bank is insured by the federal government or an agency thereof, or in a credit union which is insured with an insurer or guarantee corporation as required under K.S.A. 17-2246.

I recommend that the Pooled Money Investment Board designate the following financial institution(s) as a depository for the _____ trust fund account(s) or investment(s) listed below because _____.

Title of Deposit Account or Investment Account	Recommended Financial Institution	Estimated Size of Deposit Account or Investment Account Balance
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Sincerely,

(signed)

Chief Administrative Officer